
**Technology, Energy &
Communications Committee**

HB 2604

Brief Description: Improving the production and use of renewable energy resources.

Sponsors: Representatives Grant, McCoy, Blake, Haler, Simpson, Morris, B. Sullivan, P. Sullivan, Moeller, Hudgins, Morrell, Ericks and Springer.

Brief Summary of Bill

- Creates a definition for small renewable producer and establishes minimum and maximum generating capacities.
- Adds biogas produced from an anaerobic digester to the definition of net metering systems.
- Establishes a rate of purchase for electricity generated by small renewable energy.
- Establishes a renewable energy standard for state agencies.
- Compensates customer-generators quarterly for unused kilowatt-hour credits.
- Increases the cumulative generating capacity of net metering systems to 1 percent of the utility's peak demand of which no less than 0.05 percent be attributable to net metering systems.

Hearing Date: 1/26/06

Staff: Scott Richards (786-7156).

Background:

Net Metering

Net metering allows electricity customers to offset (over a predetermined time-period) their consumption of purchased electricity with electricity generated by their own small scale renewable system. Under net metering, the customer's small renewable energy system is connected to a utility's electrical distribution system and electricity is fed back to the electric utility over an applicable billing period.

Biogas

Biogas is a combustible gas created by anaerobic decomposition of organic material and composed primarily of methane, carbon dioxide, and hydrogen sulfide.

Mid "C" Rate

The mid "C" rate is a term used by utilities to indicate a common strike price for electricity when one utility sells electricity to another. The mid "C" rate sometimes functions as an informal exchange rate.

Current Law

Net Metering System

Under current law, a net metering system is defined as an electrical production facility that: (1) is a fuel cell or uses solar, wind, or hydro power; (2) has a generating capacity of 25 kilowatts or less; (3) is located on the customer-generator's premises; (4) operates in parallel with the electrical utility's distribution and transmission system; and (5) is intended primarily to offset part or all of the customer's electricity requirements.

Cumulative Generating Capacity

Current law requires electric utilities to offer net metering to eligible customers-generators on a first-come, first-serve basis until the cumulative generating capacity of net metering systems equals 0.1 percent of the utility's peak demand during 1996, of which not less than 0.05 percent shall be attributable to net metering systems that use as its fuel either solar, wind, or hydro power.

Net Metering Minimum Monthly Fee

Electric utilities charge customer-generators a minimum monthly fee that is the same as other customers of the electric utility in the same rate class, but they do not charge the customer-generator any additional standby, capacity, interconnection, or other fee or charge unless the commission, in the case of an electrical company, or the appropriate governing body, in the case of other electric utilities, determines, after appropriate notice and opportunity for comment that: (a) the electric utility will incur direct costs associated with interconnecting or administering net metering systems that exceed any offsetting benefits associated with these systems; and (b) public policy is best served by imposing these costs on the customer-generator rather than allocating these costs among the utility's entire customer base.

Unused Kilowatt-hours

If electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer-generator shall be (a) billed for the appropriate customer charges for that billing period; and (b) credited for the excess kilowatt-hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing period.

At the beginning of each calendar year, any remaining unused credits in excess of kilowatt-hours generated by the customer-generator, shall be granted to the electric utility, without compensation to the customer-generator.

Summary of Bill:

Net Metering System

The definition of a net metering system is changed to include biogas produced from an anaerobic digester and to remove the 25 kilowatts generating capacity limited.

Small Renewable Producer

A definition is added for "small renewable producer". A small renewable producer means any customer-generator that uses a net metering system to generate a quantity of not less than 100 kilowatts (100 kW) and not more than four megawatts (4 MW) from a renewable fuel source using net metering to connect to the utility's electrical distribution grid.

Cumulative Generating Capacity

An electricity utility shall offer to make net metering available to eligible customer-generators on a first-come, first-serve basis until the cumulative generating capacity of net metering systems equals 1 percent of the utility's peak demand during 1996, of which no less than 0.05 percent shall be attributable to net metering systems that use as its fuel either biogas produced from an anaerobic digester, solar, wind, or hydro power.

Net Metering Minimum Monthly Fees and Charges

If a small renewable producer can demonstrate a base load supply produced in 90 percent of the previous calendar quarter, an electric utility must offer, as an alternative to net metering, to contract for and purchase the portfolio of a small renewable producer at the small renewable producer's mid "C" rate.

Unused Kilowatt-Hour Credits

At the beginning of each quarter, any unused kilowatt-hour credits accumulated during the previous quarter shall be compensated to the customer-generator at the utility's standard retail rate.

Renewable Energy Standards for State Agencies

New renewable energy standards are established for state agencies: The standards are:

- by December 31, 2006, state agencies must demonstrate that **at least 2 percent** of their total energy resources are generated by small renewable producers' systems;
- by December 31, 2007, state agencies must demonstrate that **at least 4 percent** of their total energy resources are generated by small renewable producers' systems; and
- by December 31, 2009, state agencies must demonstrate that **at least 8 percent** of their total energy resources are generated by small renewable producers' systems.

Any electric utility operating in the state shall assist, participate in, or facilitate the state's net metering purchasing efforts under this section.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.